



भारतीय बीमा विनियामक और विकास प्राधिकरण
INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY OF INDIA

Title:Penalty

Reference No.:IRDA/F&I/ORD/EMT/192/11/2010

Date:25/11/2010

TATA AIG LIFE INSURANCE COMPANY LIMITED

ORDER
OF THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY
AGAINST
TATA AIG LIFE INSURANCE COMPANY LIMITED

The present order stands directed against TATA AIG LIFE INSURANCE COMPANY LIMITED having its registered office at Delphi- B Wing, 2nd Floor, Orchard Avenue, Hiranandani Business Park, Powai, Mumbai- 400 076 (hereinafter referred to as TALIC) on account of their alleged default in complying with the directions issued by the Insurance Regulatory and Development Authority (hereinafter referred to as the Authority).

The facts of this case are as follows:

2. The Authority noted that the Expenses of Management (EoM) for the year 2008-09 was 114.90% which is beyond permissible limits under Section 40B of the Insurance Act, 1938 read with Rule 17D of Insurance Rules 1939.
3. TALIC was directed, vide IRDA's letter Ref: 405/2/F&A/LEML/162/2007-08 dated 14th October 2009 addressed to Life Insurance Council, which was in turn forwarded by the Life Insurance Council to TALIC, to bring down the EoM below 110% by the year 2009-10, and below 100% by 2010-11.
4. Upon perusal of the statement on EoM submitted by TALIC for the year 2009-10 vide letter reference TALIC/F&A/IRDA/2010/171 dated 29th June 2010, the Authority, inter-alia noted that the EoM for the year 2009-10 was 117.28%. This is a violation of IRDA's directions vide letter dated 14th October 2009.
5. In view thereof, a notice dated 15th September 2010 was issued to TALIC, in terms of which TALIC was advised to show cause as to why appropriate action should not be initiated against them for the violation specified therein viz., non-compliance of IRDA's directions vide letter dated 14th October 2009 and to make their written submissions within the stipulated period of twenty one days. TALIC has offered submissions under cover of reply dated 8th October 2010, and requested the Authority to take an appropriate view in line with circumstances considering that TALIC was compliant with the limits in the initial years; and have started relatively late expansion and heightened focus on expenses rationalization.
6. I have examined the submissions, the documentary material on record as well as the facts and circumstances of the case. While making request for approval of opening of new branches in the year 2009-10 vide letter dated 4th August 2009 and the correspondence resting therewith, TALIC had confirmed that it would ensure compliance with the limits on EoM in the year 2009-10, the basis on which approval for opening of branches was accorded in the year 2009-10. The Company had based their assurance, given vide letter dated 27th October 2009, taking into account efforts of the management to restrict the expenses in terms of increasing branch productivity, strategic IT initiatives, synergy of activities of various branches etc., all of which are well within the control of the management to monitor.

7. Contrary to the directions of the Authority and assurances provided by the Company to the Authority while requesting for approval to open new branches offices in the year 2009-10, TALIC has not complied with the limits on EoM under Rule 17D in the year 2009-10.
8. In view of the above, bearing in mind the fact that TALIC is a registered entity and on account of the same ought to have complied with the directions of the Authority, I, in judicious exercise of the powers conferred upon me under Section 14(1) of the Insurance Regulatory and Development Authority Act, 1999 read with Section 102 of Insurance Act, 1938, am of the considered view that a penalty of ` 5,00,000/- (Rupees five lakh only) be imposed upon Tata AIG Life Insurance Company Limited for violating directions of the Authority.
9. The penalty amount shall be paid within a period of ten days from the date of receipt of this order through a crossed demand draft drawn in favour of Insurance Regulatory and Development Authority and payable at Hyderabad which may be sent to Shri R.K. Nair, Member (F&I) at the Insurance Regulatory and Development Authority, 3rd Floor, Parishram Bhavan, Basheer Bagh, Hyderabad 500 004.
10. You are hereby, directed further, to bring this Order to the Notice of your Board in their next meeting. A copy of note to the Board and Resolution thereon shall be filed with the Authority.

sd/-

(J. HARI NARAYAN)

CHAIRMAN